

Message Text

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ACTION ARA-10

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FM AMEMBASSY MANAGUA
TO SECSTATE WASHDC 1880
INFO AMEMBASSY GUATEMALA
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AMEMBASSY TEGUCIGALPA

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GUATEMALA ALSO FOR ROCAP

E.O. 11652: NA
TAGS: ECIN, EPAP, ETRD, NU, XK
SUBJECT: PRESIDENT SOMOZA VOICES SUPPORT FOR CENTRAL AMERICAN
ECONOMIC INTEGRATION; NICARAGUA NARROWS CACM TRADE GAP

1. PRESIDENT SOMOZA, WHO IS NOT GENERALLY REGARDED BY HIS CENTRAL AMERICAN COLLEAGUES AS THE MOST COOPERATIVE REGIONAL LEADER ON ECONOMIC INTEGRATION MATTERS, SPOKE OUT PUBLICLY IN FAVOR OF SUCH INTEGRATION IN RECENT SPEECH. DURING DECEMBER 18 INAUGURATION OF CATTLE MARKETING CENTER NEAR BOACO, ACCORDING SOMOZA-OWNED NOVEDADES, PRESIDENT ASSERTED THAT NICARAGUA WAS ONLY COUNTRY IN REGION WHICH HAD REGARDED MEMBERSHIP IN CACM AS MEANS OF INCREASING LABOR OPPORTUNITIES AND OF BENEFITING ALL ITS CITIZENS. ADDED THAT HE HAS MAINTAINED NICARAGUA'S INVOLVEMENT WITH CACM BECAUSE HE "SEES THAT NICARAGUA'S SITUATION HAS IMPROVED CONSIDERABLY GIVEN THE ATTITUDE AND POLICY WE HAVE FOLLOWED REGARDING INTEGRATION".

2. AT SAME TIME, SOMOZA COMPLAINED THAT ONE OF THE FACTORS IN-
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HIBITING INTEGRATION IS THE PREVAILING VIEW THAT CACM MECHNISMS ARE DESIGNED ONLY TO FACILITATE TRADE IN MANUFACTURED GOODS. HE INDICATED THAT HE HOPES TO RECTIFY THIS "UNREALISTIC" SITUATION BY OPENING UP CACM FURTHER FOR NICARAGUA'S AGRICULTURAL PRODUCTS. REFERRING SPECIFICALLY TO EL SALVADOR, HE TOLD BOACO AUDIENCE THAT HE PARTICULARLY HOPES TO OPEN MARKETS FOR NICARAGUA'S DAIRY

PRODUCTS. (N.B. DAIRY PRODUCTS ARE AN IMPORTANT NICARAGUAN EXPORT TO REST OF CENTRAL AMERICA AND BOACO IS A MAJOR MILK PRODUCING AREA.)

3. NICARAGUA, WHICH CHRONICALLY HAS A TRADE DEFICIT WITH ITS CENTRAL AMERICAN PARTNERS AS A WHOLE, AND A TRADE SURPLUS WITH THE REST OF THE WORLD, HAS GRADUALLY BEEN NARROWING THE FORMER DEFICIT. ACCORDING TO LATEST AVAILABLE DATA, NICARAGUAN EXPORTS TO OTHER CA COUNTRIES DURING FIRST NINE MONTHS OF 1976 AMOUNTED TO ABOUT \$87.4 MILLION, COMPARED WITH \$66.3 MILLION DURING SAME 1975 PERIOD. IMPORTS DURING FIRST THREE-QUARTERS OF 1976 AMOUNTED TO ABOUT \$101.8 MILLION, AS COMPARED WITH \$83.7 MILLION DURING CORRESPONDING 1975 PERIOD. THUS, DEFICIT FOR FULL YEAR 1976 WOULD BE ABOUT \$3 MILLION LESS THAN IN 1975, IF, AS EXPECTED, TREND OF FIRST NINE MONTHS CONTINUES THROUGH DECEMBER.

4. CENTRAL BANK ECONOMISTS EXPECT THAT EXPORTS TO CENTRAL AMERICA IN 1977 SHOULD INCREASE BY 25 PERCENT TO TOTAL APPROXIMATELY \$162.5 MILLION, THUS REDUCING NICARAGUA'S ANTICIPATED REGIONAL TRADE DEFICIT TO ABOUT \$12 MILLION NEXT YEAR.
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